

**OFFICE FOR WORKFORCE COMPETITIVENESS
TESTIMONY TO APPROPRIATIONS COMMITTEE
FEBRUARY 17, 2010**

Good morning Senator Harp, Representative Geragosian, Ranking Members and members of the Appropriations Committee, and thank you for this opportunity to address the Committee. I'm Mary Ann Hanley, from the Office for Workforce Competitiveness (or "OWC"). I would like to provide the committee with a very brief overview of the agency's mission and approach along with a description of one of our key initiatives that you have asked to be included under the RBA process.

I have to say that it is with no small amount of trepidation that I do so -- last year we had agreed to include three programs in the RBA process -- all exemplary in terms of their results and benefits to participating businesses and individuals -- and two of the three were then summarily eliminated from our budget and the third was significantly cut. And these were the good programs . . . But in the interest of reinforcing the benefits of results-based accountability when it comes to government spending, we remain eager to talk about the CT Office for Small Business Innovation and Research (SBIR) -- one of the Office's most successful programs.

To put the SBIR initiative into a larger context, a few words about the work of OWC is in order. The word "jobs" has been on everyone's lips of late. The concern that Connecticut has not had meaningful job growth over the last decade has been raised repeatedly. The fact is, over the last decade, no new net jobs have been created nationwide. Gary Locke, the U.S. Secretary of Commerce, has suggested that a nation-wide "innovation deficit" is the reason -- just over a decade ago, we were the indisputable global leader in the design and production of things like semi-conductors, batteries, robotics and consumer electronics. Not anymore. The U.S. balance of trade in "advanced technology products" turned negative in 2002--and has not looked back. The U.S. and Connecticut in particular, was always at the cutting edge when it came to making complicated things and adapting emerging technologies. Due to the global rise in the use of technology and international education levels, we had witnessed the loss of assembly-line and mass-production jobs early in the 1990s. But somewhere over the last decade we also lost our ability to take new ideas and translate them into commercially viable products and businesses -- the "innovation deficit". That one-two punch has left the nation and our state stuck in a pattern of no job growth. There is only one way to move forward

-- we have to renew our commitment to innovate -- and to do that we need to redouble our support to building a 21st century talent pipeline second to none.

Our work over the past three years has been guided by a framework which integrates economic and workforce development principles into a single construct which we call The TALENT-BASED STRATEGY FOR ECONOMIC GROWTH. The strategy is grounded in the belief that Connecticut's strongest and deepest asset when it comes to economic and workforce competitiveness is its base of 21st century talent -- growing it, using it, and enriching it to the fullest extent possible and, importantly, tailoring it to fit the needs of Connecticut's key economic drivers.

The Talent-Based Strategy has Twin Drivers:

- Exploring and investigating new technologies and applications where CT can build competitive market opportunities and strengths (such as nanotechnology, ocean and maritime, healthcare, bioscience and digital media) which can be injected into Connecticut's industry-base, allowing greater workforce participation; and
- Developing and supporting a Talent Pipeline that incorporates pre-K through post-secondary graduate programs which reflect the skill-sets and career requirements of new and developing industries and businesses across the state.

Fundamentally, Connecticut's competitiveness will be derived from its students, skilled-workers, researchers, entrepreneurs and innovators -- our 21st century human capital; our TALENT. If we are to grow and prosper as an economy and enjoy the quality of life we have come to expect, then we must make our precious public investments in areas that support and nurture a 21st century talent pipeline in the state (along with the infrastructure to get them where they need to be and the housing that will allow them to stay). Over the past decade, OWC has sponsored and supported a number of innovative program initiatives which reflect the tenants of Talent-Based Strategy. Among them are the Connecticut Career Choices Program, the Jobs Funnel, the proposed CT Centers for Nanoscale Science, and the CT Office for SBIR.

OWC's interest and activity in the area of Small Business Innovation and Research provides an especially strong illustration of how the Talent-Based Strategy works. Meaningfully addressing the innovation deficit will require no less than a rebooting of our economic development model. As Eric Schmidt, Chairman and Chief Executive of Google has stated, "... we can no longer rely on the top-down approach of the 20th century, when big

investments in the military and NASA spun off to the wider economy.” The tools and the spirit of innovation now reside in the talent behind the garage start-ups and research spin-offs – the entrepreneurs and small businesses that survive week-by-week, taking a new idea and transforming it to a workable and, more importantly, new marketable product. The data tells us that they are the unequivocal creators of wealth and jobs.

In February of 2004, OWC produced a report entitled, *Generating the Talent and Innovations for the 21st Century Knowledge Economy: A Report on Connecticut's Technology Preparedness*. Among the report's findings was a disturbing decline in the involvement of CT small businesses competing for and winning federal Small Business Innovation Research (SBIR) funding. The federal SBIR program totals \$2.5B annually from the largest 11 federal agencies that solicit innovative ideas from small firms to solve national problems. These are federal dollars that could and should be attracted to state companies to the fullest extent possible if we are to compete in a rapidly changing tech-based economy. The CT SBIR Office was established in late 2004 in response.

I would like to have Deb Santy, the Director of the CT Office for Small Business Innovation and Research, to provide you with some detail on what the office does and what its track record has been over the last six years.

Thank you, Deb. In closing I would like to quote Peter E Gunther, Senior Research Fellow from the Connecticut Center for Economic Analysis at UConn. At the conclusion of the Center's latest Connecticut Economic Outlook report, dated February 2010 and entitled, “No Jobs Recovery! When will Connecticut's misery end?” Gunther warns:

“... short-term countercyclical band-aids will not change the long-term deterioration of Connecticut's economy and thus its fiscal challenges. At the very time that it is hardest to take the steps central to driving a fundamental structural change in the state's economy is exactly when, because of the unique characteristics of the Connecticut's economy, it is most needed. Unless the state adopts policies and makes strategic investments to change this progressively deteriorating pattern, a jobs recovery may never arrive.”

This is another way of stating that we need to address Connecticut's “innovation deficit” -- and we need to do it now. Investing in the growth and retention of 21st century talent from middle school through to post-graduate programs, building incentives and support for both academic and industrial R&D and promoting small business innovation and product

development is the right place to start if we want to grow a new economy in this state – and grow new job opportunities as a result.

We believe that the Talent-Based Strategy for Economic Growth, particularly as reflected in the work that has been done through Connecticut's SBIR Office that was presented to you today, offer examples of policies and programs that can nurture innovation and bring about the type of structural change Gunther calls for. The RBA data testifies to the SBIR program's success. What is required are the resources to bring the programs to sufficient scale and the commitment to stay the course over the long term.

Thank you and I will be pleased to answer any questions you might have.